CPI Crown Properties

International Corporation

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 and 2000

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BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
CPI Crown Properties International Corporation

We have audited the consolidated balance sheet of CPI Crown Properties International Corporation as at December 31, 2001 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of Chartered Accountants.

Buchanan Barry LLP
CHARTERED ACCOUNTANTS

Calgary, Alberta
April 18, 2002

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 and 2000

ASSETS

	2001	2000
Cash	$ 120,844	$ 89,600
Accounts Receivable	65,556	174,692
Deposits and Prepaid Expenses	3,977	20,544
Mortgages Receivable (Note 3)	173,990	220,000
Deferred Costs	22,000	36,265
Capital Assets (Note 4)	8,030,595	7,200,395
Long-term Investments (Note 5)	265,005	-
	$ 8,681,967	$ 7,741,496

LIABILITIES

	2001	2000
Bank Indebtedness (Note 6)	$ -	$ 354,424
Accounts Payable and Accrued Liabilities	96,095	263,989
Life Lease Obligation (Note 7)	3,274,440	2,543,028
Deferred Revenue (Note 7)	133,217	119,828
Deposits (Note 8)	58,988	68,835
Mortgages Payable (Note 9)	2,347,235	1,894,836
Notes Payable (Note 10)	280,000	-
Due to Shareholders (Note 11)	9,540	14,310
	6,199,515	5,259,250

SHAREHOLDERS' EQUITY

	2001	2000
Share Capital (Note 12)	2,683,196	2,683,196
Deficit	(200,744)	(200,950)
	2,482,452	2,482,246
	$ 8,681,967	$ 7,741,496

APPROVED ON BEHALF OF THE BOARD

_________________ Director

_________________ Director

Buchanan Barry LLP

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
YEARS ENDED DECEMBER 31, 2001 and 2000

	2001	2000
Sales	$ 595,144	$ 415,687
Cost of Sales	466,627	363,450
Gross Margin	128,517	52,237
Other Revenue		
Rental income	825,136	1,125,326
Life lease revenue	64,996	55,476
Interest and other	47,294	30,783
	937,426	1,211,585
Net Revenues from Operations	1,065,943	1,263,822
Expenses		
Advertising and promotion	15,802	16,095
Amortization of capital assets	212,776	229,604
Amortization of deferred costs	14,265	9,066
Commissions	13,749	16,407
Condominium fees	27,376	45,981
Insurance	10,448	7,730
Interest and bank charges	12,097	73,942
Interest on long-term debt	141,781	239,376
Management fees	156,256	156,114
Office	15,272	25,150
Professional fees	43,202	81,715
Property taxes	169,362	265,813
Repairs and maintenance	41,868	91,826
Salaries and benefits	90,556	104,037
Travel	7,618	8,227
Utilities	93,309	101,969
	1,065,737	1,473,052
Earnings (Loss) from Operations	206	(209,230)
Gain on Sale of Capital Assets	-	89,736
Net Earnings (Loss)	206	(119,494)
Deficit, beginning of year	(200,950)	(81,456)
Deficit, end of year	$ (200,744)	$ (200,950)
Basic and Diluted Earnings (Loss) Per Share	$ -	$ (0.01)

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2001 and 2000

	2001	2000
Operating Activities		
Net earnings (loss)	$ 206	$ (119,494)
Adjustments to operations not involving cash		
Amortization	227,041	238,670
Gain on sale of capital assets	-	(89,736)
Life lease revenue recognized in the year	(64,996)	(55,476)
	162,251	(26,036)
Change in non-cash operating capital		
Accounts receivable	109,136	(114,195)
Deposits and prepaid expenses	16,567	22,091
Accounts payable and accrued liabilities	(172,664)	(67,587)
Deposits	(9,847)	4,373
	(56,808)	(155,318)
	105,443	(181,354)
Investing Activities		
Acquisition of capital assets	(1,511,247)	(129,215)
Property transferred to cost of sales	465,177	363,450
Proceeds on sale of capital assets	3,095	1,033,000
Proceeds from mortgages receivable	220,000	-
Advances of mortgages	(173,990)	(220,000)
Purchase of long-term investments	(265,005)	-
	(1,261,970)	1,047,235
Financing Activities		
Repayment of bank loan	(354,424)	(546,542)
Proceeds received on initiation of life leases	999,750	680,505
Repayments under life lease agreements	(189,953)	-
Proceeds from notes payable	280,000	-
Share issue costs	-	(5,461)
Proceeds from long-term debt	1,322,000	-
Repayments of long-term debt	(869,602)	(995,595)
Repayment of shareholders advance	-	(3,745)
	1,187,771	(870,838)
Increase (Decrease) in cash	31,244	(4,957)
Cash, beginning of year	89,600	94,557
Cash, end of year	$ 120,844	$ 89,600

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

1. **Significant Accounting Policies**

The financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Basis of Presentation

These consolidated financial statements include the accounts of CPI Crown Properties International Corporation and its wholly owned subsidiaries: CPI Inc., Camrose Crown Care Corp., CPI Crown Realty & Management Inc., 330906 Alberta Ltd., 731043 Alberta Ltd. and Trimax Inc. They are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the declining-balance method at the following annual rates:

Rental properties	4%
Condominiums under life lease	4%
Furniture, fixtures and equipment	20 - 30%
Condominiums under development	nil%

Capitalized costs for condominiums under development include development costs, mortgage interest, interest on general borrowings and general and administrative expenses incurred in connection with acquisition and development of the projects.

Deferred Costs

Lease inducement costs related to the acquisition of leasing tenants are capitalized and amortized on a straight-line basis over five years.

Revenue Recognition

Condominium sales are recorded when:

i) the sale is unconditional and full sale proceeds have been received; and

ii) a minimum of 95% of construction is completed on the unit.

Life lease revenue recognition is described in detail in Note 7.

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

1. **Significant Accounting Policies** (cont'd)

Future Income Taxes

The company follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Stock-based Compensation

The corporation has a stock-based compensation plan as described in Note 12. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on the exercise of stock options is credited to share capital.

Net Earnings (Loss) Per Share

Basic net earnings (loss) per share is calculated on the weighted average number of common shares outstanding during the period of 10,404,305 (2000 - 10,404,305).

2. **Change in Accounting Policy**

The company has retroactively adopted the new Canadian Institute of Chartered Accountants recommendations for per share calculations. The new standard utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares outstanding is calculated assuming the proceeds that would arise from the exercise of the in the money portion of the options are used to purchase common shares of the company at their average market price. The new method was applied retroactively with no impact on the 2000 diluted per share amounts. Previously, the company utilized the imputed earnings method to calculate diluted per share amounts.

3. **Mortgages Receivable**

The mortgages receivable bear interest at between 5.75% and 6.75% per annum and are due on various dates ranging from December 2002 to October 2004.

4. **Capital Assets**

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 854,729	$ -	$ 881,075	$ -
Rental properties	2,580,946	340,733	3,219,174	247,252
Condominiums under life lease	2,854,366	206,995	2,182,845	109,703
Furniture, fixtures and equipment	55,598	29,152	59,668	20,618
Condominiums under development	2,261,836	-	1,235,206	-
	$ 8,607,475	$ 576,880	$ 7,577,968	$ 377,573
Net Book Value	$ 8,030,595		$ 7,200,395	

During 2001 the company capitalized $81,977 (2000 - $nil) of interest related to condominiums under development.

Buchanan Barry LLP

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

5. **Long-term Investments**

During the year, the company purchased investments in various equities and bond funds. The market value of these investments at December 31, 2001 is approximately $268,600.

6. **Bank Indebtedness**

The company had an authorized credit facility of $3,950,000 for construction purposes that terminated in March 2001. At December 31, 2000 $354,424 was drawn on this facility. The facility bore interest at prime plus 1.375% per annum. The facility was secured by a general security agreement, a demand promissory note, a general assignment of rents and leases, assignment of sale proceeds, a debenture in the amount of $5,000,000 providing a first fixed charge over land under development and a second charge on specified real property. The facility was due on the earlier of demand by the lender or March 31, 2001. In addition, the bank had provided letters of guarantee on behalf of the company in the amount of $289,250 that expired January 4, 2001.

7. **Life Lease Obligation and Deferred Revenue**

During the year, the company entered into various occupancy agreements with individuals in respect of one of it's development projects. Under terms of the agreements, the occupant obtains the lifetime exclusive right to occupy the unit in exchange for a fixed fee at the inception of the agreement. The company is obligated to refund the occupant within 180 days a percentage of the initial fee upon notice or death of the occupant as follows:

Year of Occupancy	% of Fee Refunded
1st year	95%
2nd year	94%
3rd year	93%
4th year	92%
5th year	91%
More than five years	90%

The company records 90% of the fixed fee as a life lease obligation as this represents the minimum amount refundable to the occupant. Deferred revenue is recorded in the amount of 5% of the fixed fee which is recognized as life lease income at the rate of 1% per year assuming the occupant has not provided notice or passed away. Should the occupant provide notice or pass away prior to completion of the fifth year, the balance of deferred revenue is refundable.

The remaining 5% of the fixed fee is recognized as life lease income at the time of closing.

In the event any amount of the life lease obligation becomes refundable, the company will have to satisfy the obligation through cash flow from operations, external financing or from the ultimate sale of the unit.

8. **Deposits**

Customer deposits are comprised of the following:

	2001	2000
Tenant security deposits	$ 57,088	$ 67,835
Deposits on units for sale	1,900	1,000
	$ 58,988	$ 68,835

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

9. Mortgages Payable

	2001	2000
Bank loan bearing interest at 4.5%, repayable in blended monthly instalments of $11,224, due May 1, 2005. The loan is secured by rental property, personal guarantee from a director in the amount of $250,000 and a general security agreement.	$ 370,571	$ 424,477
Bank loan bearing interest at 7%, repayable in monthly principal instalments of $2,230 plus interest, due July 23, 2009. The loan is secured by rental property and a total of $75,000 in personal guarantees from two individuals, one of which is a director.	237,384	309,970
Bank loan bearing interest at 7%, repayable in monthly principal instalments of $610 plus interest, due March 23, 2011. The loan is secured by rental property and a total of $25,000 in personal guarantees from two individuals, one of which is a director.	67,375	87,230
Bank loan bearing interest at 7.75%, repayable in blended monthly payments of $7,687, due July, 2004. The loan is secured by rental property.	891,905	915,159
First mortgage bearing interest at 10.75%, repayable in monthly interest only payments of $2,598, due February 1, 2002. The loan is secured by specified rental property.	290,000	103,000
First mortgage bearing interest at 10.75%, repayable in monthly interest only payments of $4,390 and is due February 1, 2002. The loan is secured by a specified rental property.	490,000	55,000
	$ 2,347,235	$ 1,894,836

Estimated principal repayments over the next five years, assuming that the mortgages are renewed at existing terms, are as follows:

2002	$ 178,000
2003	185,000
2004	188,000
2005	64,000
2006	67,000
subsequent	1,665,235
	$ 2,347,235

The first mortgages due February 1, 2002 are payable to two shareholders of the company, who are related to an officer and director of the company.

During 2001, the company paid $189,950 (2000 - $238,314) in interest related to the mortgages.

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

10. Notes Payable

	2001	2000
Notes payable consists of unsecured promissory notes bearing interest ranging from 5 - 7% and are due on various dates ranging from December 31, 2004 to November 30, 2011.	$ 280,000	$ -

11. Due to Shareholders

The amounts due to shareholders are non-interest bearing and unsecured with no specified terms of repayment. The shareholders have indicated that repayment is not expected in the next fiscal year.

12. Share Capital

Authorized
Unlimited number of:
Common shares
Class A and B preferred shares, issuable in series

Issued	Number of Shares	$
Common shares		
Balance, December 31, 1999	10,404,305	$ 2,688,657
Share issue costs	-	(5,461)
Balance, December 31, 2000 and 2001	10,404,305	$ 2,683,196

Stock options

The corporation has an incentive stock option plan which provides for the granting of stock options to directors, officers and employees to a maximum of 10% of the issued and outstanding common shares. At December 31, 2001 there were outstanding stock options to acquire 659,051 (2000 - 946,727) common shares at prices ranging from $0.40 to $0.80 per share, with expiry dates ranging from January 8, 2002 to October 24, 2004. Subsequent to the year end, 99,000 options expired on January 8, 2002.

The following table sets forth a reconciliation of stock options granted, exercised and canceled during the periods ended December 31, 2001 and 2000.

	2001		2000	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding, beginning of period	946,727	$ 0.75	1,038,852	$ 0.74
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	(251,259)	0.76	(92,125)	0.64
Outstanding and exercisable, end of period	695,468	$ 0.74	946,727	$ 0.75

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

12. Share Capital (cont'd)

The following table sets forth information relating to stock options outstanding as at December 31, 2001:

Range of Exercise prices	Number Outstanding at December 31, 2001	Weighted-average remaining contractual life		Weighted-average exercise price	Number exercisable at December 31, 2001		Weighted-average exercise price
$0.40	99,000	0.08	$	0.40	99,000	$	0.40
$0.80	596,468	2.83		0.80	596,468		0.80
	695,468	2.44	$	0.74	695,468	$	0.74

Warrants

In 2000, warrants entitling holders to acquire 468,750 common shares at $3.00 per common share expired. At December 31, 2001 there are no warrants outstanding.

Adjustment to Carrying Value

In 1998, the company purchased rental properties from a major shareholder pursuant to Section 85 of the Income Tax Act. The company assumed specified liabilities and issued share capital as consideration for the acquisition. Subsequent to the preparation of the 1998 financial statements, the company discovered that the purchase price of specified rental property was understated by $50,000. As a result, in 2000 the net book value of land and rental properties as disclosed in Note 3 have been increased by $12,500 and $37,500 respectively and share capital has been increased by $50,000. The acquisition of rental property has been recorded based upon the carrying amount of the acquired property.

The company has not restated amortization expense, net loss for the year or net loss per share for 1998 or 1999 as any adjustment, in management's opinion, would not materially affect the previously published information.

13. Income Taxes

The company has incurred losses for income tax purposes of approximately $352,000 which can be used to reduce future year's taxable income. If not utilized, these losses will expire between 2004 and 2008. The value of these loss carryforwards have not been reflected in the financial statements.

The effective tax rate of the company is approximate 45%. The difference between the effective rate and the actual rate of nil% is attributable to the fact that no future tax asset has been recorded for available loss carryforwards as their ultimate realization is uncertain.

CPI CROWN PROPERTIES INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

14. Related Party Transactions

During the year, the company had the following transactions involving entities controlled by officers and directors:

	2001	2000
Management fees	$ 150,000	$ 150,000
Advertising	14,521	-
Professional fees and share issue costs	11,699	32,684
Commissions	-	14,660
Interest on mortgage payable	64,861	40,000
	$ 241,081	$ 237,344

In addition, during 2000, the company sold a rental property to a company controlled by a director for $1,033,000. The rental property had a net book value of $943,264 prior to disposal. As consideration for the sale, the purchaser assumed $633,000 in third party debt and settled its loan to the company for $400,000.

15. Financial Instruments

The company's financial instruments included in the balance sheet are comprised of cash, accounts receivable, deposits and prepaid expenses, mortgage receivable, deferred costs, bank indebtedness, accounts payable and accrued liabilities, life lease obligation, deferred revenue, deposits, mortgages payable and shareholder's loans.

a) Fair values

The fair values of the company's financial instruments do not differ significantly from their carrying values.

b) Credit risk

The company's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks.

c) Interest rate risk

The company is also exposed to interest rate cash flow risk to the extent that the bank loan and various mortgages are at a floating rate of interest.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.